



# State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements

Issued 07/01/15

Section 36 P-Card

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## Agency Responsibilities

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### INTRODUCTION

To facilitate the purchase of goods and services and to provide an efficient method of paying for these goods and services, the SPO makes a purchasing card, known as the P-Card, available to agencies.

There are two distinct forms of activity for which the P-Card may be employed: purchase activities and payment activities.

A purchase transaction involves the acquisition of goods and, as part of the purchase transaction, also incurs an obligation. A purchase transaction is similar to an individual's using a credit card to acquire merchandise in a store. It is envisioned that many, if not most, of the State employees to whom a P-Card is issued will be authorized to use it in this way. Suitable candidates to receive the P-Card to conduct purchase transactions would be employees who spend a good deal of time out of the office and may be required to make purchases in the field. Relatively low spending limits are appropriate for these types of transactions.

A payment transaction involves making payment on a vendor's account for previously acquired goods or services. A payment transaction discharges an obligation to the seller of the underlying goods or services and incurs a corresponding obligation to the financial institution issuing the card. Those who receive the P-Card to conduct payment transactions are likely to be those processing an agency's accounts payable transactions. Relatively high spending limits are suitable for these types of transactions.

A settlement transaction, which differs from a payment transaction, involves payment to the financial institution issuing the card.

This section of SAAM sets forth the responsibilities of an agency in administering the State's P-Card program. Separate SAAM sections deal with general policies that affect the use of the P-Card, the responsibilities of an individual to whom a P-Card is issued and the use of the P-Card in connection with continuity of operations.

Allowing the use of the P-Card for both purchase and payment activities encourages its use, which, in turn, increases efficiencies and reduces overall costs to the State.

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### POLICY & PROCEDURES

1. All purchases or payments made using a P-Card must be for a valid public purpose.
2. The agency head is responsible for all P-Card activity in his agency.
3. The agency head or his designee shall act as or appoint, in writing, an agency P-card administrator.
4. The agency head or his or her delegate will issue agency-specific P-Card policies and procedures.
  - 4.1. Agency policies and procedures:
    - 4.1.1. Must be in writing, be available to all staff and be distributed to all cardholders.
    - 4.1.2. Must be must be kept on file and available for review by the GAO, the SPO and other units of the State with the authority to audit.
    - 4.1.3. Must comply with the State contracts for commodities and all other applicable laws, rules, contracts, and financial and accounting policies and procedures.
    - 4.1.4. Except as indicated below, must conform to those set forth in SAAM.
      - 4.1.4.1. Agency policies and procedures may contain terms, conditions and limits more restrictive, but not more liberal, than those set forth in SAAM.
    - 4.1.5. May incorporate, in whole or part, sections of SAAM, by reference or otherwise.
    - 4.1.6. Shall address:
      - 4.1.6.1. P-Card processes, documentation flow, prompt payment, encumbrances, internal controls, training, appropriation and budgetary controls, and other matters affecting program management and performance.
      - 4.1.6.2. Responsibility for reconciling, on a monthly or more frequent basis, all charges against statements of activity.
      - 4.1.6.3. The form and format of requests for P-Cards by employees, organizations, divisions, programs or departments.
      - 4.1.6.4. The requirement that each employee or P-Card custodian to whom a P-Card is to be issued will, prior to being issued a card, sign a GAO-PC-101, which is to be retained by the P-Card administrator.
      - 4.1.6.5. The requirement for and assignments or roles relating to and enforcing appropriate segregation of duties.

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- 4.1.6.6. The manager or supervisor's review and written certification of the monthly P-Card statements as to the validity and appropriateness of all charges and/or payments made by cardholders who are their direct reports. It is essential that this review, to the extent practicable, be conducted by a non-cardholder.
5. Elements of duty segregation required of agencies related to the issuance and use of the P-Card include:
  - 5.1. Except as approved in writing by the State Comptroller or his designee:
    - 5.1.1. The authority for approving the disbursement of agency funds cannot be assigned to a cardholder.
    - 5.1.2. A cardholder cannot have both purchasing and payment authority.
    - 5.1.3. Any exceptions to the provisions regarding segregation of duties must be approved by the GAO.
      - 5.1.3.1. An agency that cannot enforce strict segregation of duties must request a variance by directing a letter to the State Comptroller. This letter should contain a justification for the request, the purpose for which the card will be used, the spending limit requested, a description of the internal controls in effect to prevent misuse, and any other restrictions, such as the restriction of the P-Card's use to certain preferred vendors or for certain expenditure objects, which will be imposed.
      - 5.1.3.2. The GAO may require an examination of an agency's internal controls over P-Card usage before rendering a decision with respect to any variances from the provisions regarding the segregation of duties.
    - 5.1.4. Steps that may be taken in the event of a cardholder's misuse of a P-Card, include but are not limited to:
      - 5.1.4.1. The pursuit of restitution, including penalties and interest, from the cardholder.
      - 5.1.4.2. The recovery of collection costs from the cardholder.
      - 5.1.4.3. Disciplinary actions, up to and including dismissal of the cardholder.
      - 5.1.4.4. Referral of the matter to the Attorney General.
  6. The agency head or his designee may set monthly limits on purchasing and payment transactions.
  7. The agency head or his designee shall review and approve the issuance of any P-Card to an employee or a P-Card custodian.

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8. Requests for a P-Card, the approval or denial of such requests, and the revocation of P-Cards must be documented in writing.
9. The agency head is responsible for ensuring that any employee to whom a P-Card is issued has been sufficiently trained to be familiar with both statewide and agency P-Card policies and procedures.
10. The agency P-Card administrator or his designee or the person or unit with appropriate knowledge and authority shall:
  - 10.1. Retain all documentation related to the approval or denial of a request for a P-Card as well as any information and documentation related to the revocation of a P-Card.
  - 10.2. Submit approved requests to the State P-Card contractor.
  - 10.3. Monitor and enforce compliance with State and agency P-Card policies and procedures.
  - 10.4. Receive and distribute new and replacement P-Cards.
  - 10.5. Review cardholder records at least semi-annually to verify compliance with governing laws, rules and policies and to confirm the appropriate use of P-Cards.
  - 10.6. Ensure that charges on P-Card statements of activity are reviewed and matched to the charges submitted by the cardholder.
  - 10.7. If an employee to whom a P-Card has been issued leaves the agency for any reason:
    - 10.7.1. Ensure that the P-Card is recovered.
    - 10.7.2. Direct the State P-Card contractor to cancel the P-Card.
    - 10.7.3. If an employee fails to surrender his P-Card to the agency for any reason:
      - 10.7.3.1. At the agency's discretion, place a hold on wages—up to the maximum limit of the P-Card issued to the employee—if the employee leaves the agency and fails to surrender his P-Card.
      - 10.7.3.2. Collect and retain any documentation related to an employee's failure to surrender the P-Card upon leaving agency employment.
      - 10.7.3.3. Forward any required records or documentation or copies thereof to the Office of the Attorney General for prosecutorial consideration.

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- 10.8. Acquire and retain in an appropriate file a signed State of Arizona P-Card Cardholder Agreement, Form GAO-PC-101, from each employee or P-Card custodian to whom a P-Card will be issued.
- 10.9. If not previously resolved by the cardholder, resolve any disputed transactions and document the resolution thereof.
- 10.10. Review and match the details on the State's P-Card contractor's statements of activity or activity files to the details submitted by the P-Card holder.
- 10.11. Maintain payment records made to the State's P-Card contractor together with the documentation supporting such payments in whatever medium is applicable and the agency, the system or other policy guidelines may deem appropriate
- 10.12. Effect payments to the State's P-Card contractor within the required time frame.
11. The employee's manager shall:
  - 11.1.1. Review purchases no less frequently than monthly to verify that transactions are for a valid State purpose. A record of such review should be made and retained for the period prescribed by the applicable Record Retention Schedule published by LAPR.
  - 11.1.2. Recover the P-Card from any employee leaving the agency or being assigned to duties not requiring the use of the P-Card.
12. The agency shall maintain all records in accordance with established record retention requirements.